BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
AGENDA
TUESDAY, MAY 12, 2015
(Immediately Following the Retirement Board of Trustees' Meeting @ Approximately 2:30 P.M.)

COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

PAGE					
	I.	CALL TO ORDER			
	II.	ROLL CALL			
	III.	MINUTES			
1 - 4		1.	APRIL 14, 2015		
	IV.	PUBLIC INPUT			
		A.	THE BOGDAHN GROUP - HOWARD POHL & PETER BROWN		
			1. FIRST QUARTER REPORT - 2015		
		B.	MONTHLY REPORTS - **No. 2015 - 5**		
5 - 7			1.	PORTFOLIO VALUE 1/01/15 - 4/30/15	
			2.	CHANGE IN BOOK AND MARKET VALUE -3/31/15	
8 - 22			3.	MONEY MANAGER REPORTS	
				a.	ATALANTA SOSNOFF - PORTFOLIO ENDING 3/31/15
				b.	C.S. MCKEE - PORTFOLIO ENDING 3/31/15
23			4.	RECAPTURE SERVICES	
				a.	CAPIS - 3/31/15
24 - 27			5.	VEBA YTD BUDGET REPORT 4/30/15	
28			6.	APPROVED EXPENSES -4/30/15	
	V.	ANNOUNCEMENTS			
		A.	NEXT REGULAR MEETING - TUESDAY, JUNE 9, 2015 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING AT APPROXIMATELY 2:30 P.M., COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708		
	VI.	UNFINISHED BUSINESS			
	VII.	NEW BUSINESS			
	VIII.	MISCELLANEOUS BUSINESS			
	IX.	ADJOURNMENT			

NOTE: In addition to these typed minutes, this Board meeting was also taped. These tapes are available for review in the Retirement Office.

The meeting of the Board of Trustees was held on April 14, 2015 at 2:55 p.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll was taken.

Trustees Present: Chairperson Gray, Mr. Brzezinski, Mr. Coonan, Mr. Gromaski, Mr. Herek, Mr. Morse, Mr. Pett, Mr. Starkweather, and Ms. Goetz.

Trustees Absent: None.

Also Present:
Consultant: The Bogdahn Group: Howard Pohl and Peter Brown.
Finance Officer: Crystal Hebert
Retirement Administrator: Rebecca Marsters
Corporation Counsel: Shawna Walraven.
Attorney: Timothy Michaud.

The meeting was called to order by Chairman, Steve Gray at 2:55 p.m.

MOTION 19: Moved, supported and carried to approve the minutes, as printed, from the March 10, 2015 meeting.

Mr. Gray called for public input. As there was no public input, he moved onto petitions and communications.

RES. 2015-4: Moved, supported and carried to adopt Resolution 2015-4 to receive the monthly reports: Portfolio Value 1/1/15 to 3/31/15, Change in Book & Market Value - 2/28/15; Money Manager Reports: C.S. McKee ending 2/28/15; Recapture Services: CAPIS Ending 2/28/15; YTD Budget Report - Ending 3/31/15, Approved Expenses 3/31/15.

ANNOUNCEMENTS:

A. Next regularly scheduled meeting will be Tuesday, May 12, 2015 immediately following the Retirement Board of Trustees Meeting at approximately 2:30 p.m. in Commissioner's Chambers, 515 Center Avenue - 4th Floor, Bay City, MI 48708.

UNFINISHED BUSINESS: None.
NEW BUSINESS: None.
MISCELLANEOUS BUSINESS: None.

ADJOURNMENT:

MOTION 20: Moved, supported and carried to adjourn the meeting at 2:58 p.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

MEETING OF THE **V.E.B.A.** BOARD OF TRUSTEES COMMITTEE
APRIL 14, 2015

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 2:55 P.M.

Motions

TRUSTEE	**19**	**20**								
BRZEZINSKI	S-Y	Y								
COONAN	M-Y	Y								
GRAY	Y	Y								
GROMASKI	Y	M-Y								
HEREK	Y	Y								
MORSE	Y	S-Y								
PETT	Y	Y								
STARKWEATHER	Y	Y								
GOETZ	Y	Y								

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

MEETING OF THE **V.E.B.A.** BOARD OF TRUSTEES COMMITTEE
APRIL 14, 2015

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 2:55 P.M.

Resolutions

TRUSTEE	**2015-4**									
BRZEZINSKI	M-Y									
COONAN	S-Y									
GRAY	Y									
GROMASKI	Y									
HEREK	Y									
MORSE	Y									
PETT	Y									
STARKWEATHER	Y									
GOETZ	Y									

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

No. 2015 - 5

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
5/12/2015
RESOLUTION

BY: BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION BOARD

RESOLVED By the Bay County Voluntary Employees' Beneficiary Association Board that the following reports are received:

1. PORTFOLIO VALUE - 1/1/15 - 4/30/15
2. CHANGE IN BOOK AND MARKET VALUE - 3/31/15
4. MONEY MANAGER REPORTS
   a. ATALANTA SOSNOFF - ENDING 3/31/15
   b. C.S. MCKEE - ENDING 3/31/15
5. RECAPTURES SERVICES
   a. CAPIS - SUMMARY ENDING 3/31/15
6. VEBA YTD BUDGET REPORT - ENDING 4/30/15
7. APPROVED EXPENSES - 4/30/15

STEVE GRAY, CHAIR
AND BOARD

MONTHLY REPORTS - MAY

MOVED BY TRUSTEE ______________________
SUPPORTED BY TRUSTEE ______________________

TRUSTEE	Y	N	E	TRUSTEE	Y	N	E	TRUSTEE	Y	N	E
Steve Gray				Matthew Pett				Thomas Herek			
Richard Brzezinski				Jon Morse				Richard Gromaski			
Kim Coonan				Thomas Starkweather				Kristal Goetz			

Vote Totals:
Roll Call: Yeas_____ Nays_____ Excused _____
Voice: Yeas_____ Nays_____ Excused _____

Disposition: Adopted_____ Defeated_____ Withdrawn_____
Amended_____ Corrected_____ Referred _____

VEBA 2015	DODGE & COX no vendor number. Mutual Fund Mgrs (as opposed to separately managed mgrs) deduct fee from portfolio.	CASH	ATALANTA SOSNOFF	LORD ABBOTT no vendor number. Mutual Fund Mgrs (as opposed to separately managed mgrs) deduct fee from portfolio.	CS MCKEE	TOTAL
VENDOR #			1061		3509	
JAN	9,372,807.82	242,295.57	9,238,500.71	7,037,168.25	15,638,042.35	41,528,814.70
FEB	9,962,923.15	249,127.39	9,745,731.68	7,468,844.28	15,512,818.11	42,939,444.61
MARCH	9,503,389.19	127,069.94	9,346,981.59	7,533,533.53	16,301,909.64	42,812,883.89
APRIL	9,759,073.66	118,394.44	9,323,633.72	7,461,656.59	16,255,829.65	42,918,588.06
MAY						0.00
JUNE						0.00
JULY						0.00
AUG						0.00
SEPT						0.00
OCT						0.00
NOV						0.00
DEC						0.00

ATALANTA SOSNOFF	LARGE CAP EQUITY
CS MCKEE	FIXED INCOME
DODGE & COX	LARGE CAP EQUITY
LORD ABBETT	SMALL MID CAP EQUITY

	DODGE & COX	ATALANTA SOSNOFF VENDOR 1061	ABBOTT	CS MCKEE VENDOR 3509	TOTAL
2015					
1ST QTR		17,819.00			17,819.00
2ND QTR					0.00
3RD QTR					0.00
4TH QTR					0.00
		17,819.00		0.00	17,819.00

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Change in Book and Market Value

	Cost	Market value	For more information
Opening balance	35,916,585.78	42,942,866.17	
Miscellaneous Cash Receipts	581.69	581.69	See funding & disbursement summary
Sponsor Contributions	29,052.56	29,052.56	See funding & disbursement summary
Interportfolio Transfers In	704,530.00	704,530.00	See funding & disbursement summary
Total receipts	734,164.25	734,164.25	See funding & disbursement summary
Interportfolio Transfers Out	- 704,530.00	- 704,530.00	See funding & disbursement summary
Total disbursements	- 704,530.00	- 704,530.00	See funding & disbursement summary
Income received	91,196.12	91,196.12	See income & expense summary, cash activity detail
Expenses paid	- 29,692.84	- 29,692.84	See income & expense summary
Unrealized gain/loss change	0.00	- 536,380.61	See asset summary
Realized gain/loss	312,473.00	312,473.00	See realized gain/loss summary
Accrued income change	2,787.79	2,787.79	See income & expense summary
Closing balance	36,322,984.10	42,812,883.88	

Atalanta Sosnoff

Capital, LLC • *101 Park Avenue, New York, NY 10178-0008 (212) 867-5000 Fax (212) 922-1820 www.atalantasosnoff.com*

April 1, 2015

Ms. Rebecca Marsters
Retirement Administrator
Bay County Voluntary Employees' Beneficiary Association
Bay County Building
515 Center Ave., Suite 706
Bay City, MI 48708-5128

Dear Ms. Marsters:

While there is still plenty of debate on how fast the country's GDP is likely to grow – anywhere from 2% to 4%, we come out on the high side, over 3%. The dividend from prolonged lower oil prices is likely to remain in place, considering incremental oil production this year while inventories still build. There is a little more storage capacity available in the country. First quarter GDP looks like a winter related 1%.

Personal consumption expenditures are growing near 4% this year. It is near impossible to project inventories and our trade balance, quarter over quarter, but the continued strength in the dollar vs. the euro suggests our negative trade balance will remain in place. Consumer spending fuels GDP.

Our equity portfolio is strategically positioned for the unfolding setting of minimal inflation, stronger GDP momentum, still historically low interest rates and healthy corporate operating profit margins with exceptions in energy and other commodity purveyors. Despite disarray in the energy sector and Euroland pretty stagnant, we expect the S&P 500 Index to post earnings approximating $120 a share. The corporate sector profits from low debt service costs and minimal increases in wages and salaries, but energy sector earnings could drop at least 30%, before some recovery in 2016.

Corporate liquidity has never been healthier. Plenty of free cash flow, flattish capital spending and rising net current asset ratios. The same goes for the federal government. Debt service expense is minimal while rising tax receipts suggest the deficit relative to GDP comes in well under 3%. This is a very respectable ratio. It impacts the dollar which should still wax stronger relative to the euro. Aside from the geopolitical risks, the country's economic profile is very healthy.

With rising production from shale oil reserves, we are approaching energy independence, and could become a net exporter in coming years. The Saudis comprehend this dynamic, trying to strangle our shale oil baby in its crib, but they won't succeed in the long term. We already contain the rail tank car capacity and interconnecting pipelines to carry oil to every major market domestically and for export. Meanwhile, OPEC's participants pump more oil for the cash flow needed to run their governments.

Geopolitical implications of $50 oil, at least near-term, foretell deep deficits not only for Russia, Iran, Venezuela, but even Saudi Arabia. The ruble has been destroyed, meaning imports from Euroland will be reduced. Western Europe holds in its economic funk, leaders afraid of pump priming deficits. Interest rates range near zero or below. Japan is another example of central bank fatuousness stretching over 20 years and still counting. Fortunately, our economy can prosper from strong internal consumer spending. Look at the auto sector.

Even if the FRB raises money market rates by 100 basis points and 30-year Treasuries move from 2.7% to 4%, you'd have to construe the scenario as historically a benign setting for equities. We see no rationale for a spiking yield curve, rather a gradual ratcheting scenario.

Expect some pickup in housing starts and capital spending. Inflection points seem close at hand. Capacity utilization numbers for the country won't remain under 80% forever. Low mortgage rates seem an historic bargain that can help qualify more prospective home owners.

How have we translated all these macro issues into portfolio implementation? We're heavy in biotechnology stocks as well as healthcare providers and distributors and individual names benefitting from new products or consolidation. Financials find us concentrated in big banks and in properties like Schwab and Morgan Stanley that will benefit from a rising yield curve. No material excesses in consumer debt, as yet. We have lightened up on technology holdings, partly because of currency translation risk, but also some disappointments in topline growth.

We approximate equal weighting in industrials with the accent on aerospace properties and rails. There's no earnings leverage in consumer staples where we hold minimally invested. Conversely, in the consumer discretionary space we stay heavy, specifically in media properties. In technology we've concentrated on major internet purveyors like Facebook, Google and Alibaba. Apple remains our largest holding. Even after its advance, we feel it doesn't exceed the market's valuation. We remain underweighted in energy but intend to be opportunistic.

Storm clouds in Europe and the Mideast can be weathered by the USA, with minimal economic impact. If reasonably accurate on how our economic setting unfolds with relatively benign Federal Reserve policy emphasis, our pro-cyclical construct should prevail and result in good absolute and comparative benchmark performance. As yet, the market remains sensitive to all the geopolitical cross currents. The price-earnings ratio, upper teens, holds near the top range of historic valuation in a low interest rate-low inflation setting. Only strong earnings momentum can carry it forward.

With all good wishes,

Martin T. Sosnoff

Martin T. Sosnoff

Craig Steinberg

Craig B. Steinberg

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

PERFORMANCE STATISTICS

			Inception June 9, 2009 to Mar. 31, 2015	
	Three Months Ended Mar. 31, 2015	**Five Years Annualized Mar. 31, 2015**	**Total Return**	**Annualized Rate of Return**
TOTAL	**+1.32%**	**+10.63%**	**+97.59%**	**+12.43%**
Composite Index (1)	+3.83%	+15.29%	+144.51%	+16.63%
EQUITY	**+1.54%**	**+10.17%**	**+104.73%**	**+13.12%**
Russell 1000 Growth Index	+3.83%	+15.63%	+161.73%	+18.00%
Russell 1000 Growth Index + 1.00 %	+4.06%	+16.63%	+174.89%	+19.00%

(1) 65% RUSSELL 1000 GROWTH / 35% BC AGGREGATE BOND thru 01/20/12 ~ 100% RUSSELL 1000 GROWTH forward

ACCOUNT 49766 BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
MAXIMUM/ STANDARD EQUITY: 100%
PM: 100% RUSSELL 1000 GROWTH + 1%

March 31, 2015

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The portfolio above should be compared to your custodial statement.

SUMMARY OF INVESTMENTS

	COST	MARKET VALUE	% OF PORT.	EST. ANNUAL INCOME	CURRENT YIELD
CASH AND EQUIVALENTS	289,329	289,329	3.1	557	0.19
COMMON STOCK	7,694,418	9,057,728	96.9	124,757	1.38
TOTAL PORTFOLIO	**7,983,747**	**9,347,057**	**100.0**	**125,313**	**1.34**

INDUSTRY ANALYSIS OF EQUITIES

	MARKET VALUE	% OF EQUITY	EST. ANNUAL INCOME	CURRENT YIELD
MATERIALS	447,587	4.9	13,745	3.07
INDUSTRIALS	1,169,094	12.9	22,248	1.90
CONSUMER DISCRETIONARY	1,706,937	18.8	21,195	1.24
CONSUMER STAPLES	454,925	5.0	8,275	1.82
HEALTH CARE	1,901,158	21.0	12,660	0.67
FINANCIALS	984,111	10.9	13,957	1.42
INFORMATION TECHNOLOGY	1,872,962	20.7	14,681	0.78
TELECOM SERVICES	102,200	1.1	0	0.00
ENERGY	418,753	4.6	17,996	4.30
TOTAL EQUITIES	**9,057,728**	**100.0**	**124,757**	**1.38**

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The portfolio above should be compared to your custodial statement.

Atalanta Sosnoff

CS McKee INVESTMENT MANAGERS

Bay County VEBA

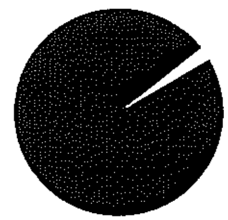
Account Statement - at 3/31/2015

90477

Portfolio Summary

	QTD 12/31/14 - 3/31/15
Beginning market value	$15,309,249
Net additions and disbursements	704,522
Investment income	102,491
Portfolio appreciation / depreciation	181,490
Ending market value	***$16,297,752***

Allocation



	Actual	Target	Diff
Fixed Income	97.9%	100.0%	(-2.1%)
Cash	2.1%	0.0%	+2.1%

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Performance
(2/7/2012)*

	QTD	1 yr	2 yr	3 yr	ITD
Fixed Income	**1.83%**	**5.76%**	**2.96%**	**3.40%**	**3.17%**
BC Aggregate	*1.61%*	*5.72%*	*2.77%*	*3.10%*	*2.83%*

Periods greater than 1 year are annualized
** Performance Start Date*

CS McKee INVESTMENT MANAGERS

Bay County VEBA

Fixed Income Portfolio Characteristics - at 3/31/2015

Benchmark Comparisons	*Bay County VEBA*	*BC Aggregate*	*Variance*
Effective Duration	**5.15 yrs.**	5.45 yrs.	*-0.30 yrs.*
Average Convexity	**-0.22**	0.01	*-0.23 yrs.*
Average Maturity	**6.45 yrs.**	7.12 yrs.	*-0.67*
Yield to Maturity	**2.16 %**	1.89 %	*0.28 %*
Average Coupon	**2.97 %**	3.23 %	*-0.27 %*
Average Quality	**Aa2**	Aa2	*N/A*

Top 10 Largest Holdings *(Active Exposures)*	*Coupon*	*Maturity*	*Sector*	*% of Portfolio*
FEDERAL FARM CR BKS	3.040	10/22/2024	US Agencies	1.89
UNITED STATES TREAS	2.000	02/15/2025	US Treasuries	1.88
GE CAPTL BK 33778 CD	1.750	05/04/2017	US Agencies	1.54
BMW BK USA 35141 CD	2.000	11/29/2018	US Agencies	1.54
COMPASS BK 19048 CD	1.900	11/06/2018	US Agencies	1.54
AMEX CNT BK 27471 CD	1.700	07/26/2017	US Agencies	1.53
CIT BANK 33575 CD	2.100	07/25/2019	US Agencies	1.53
BK INDIA NY 33682 CD	2.000	12/05/2018	US Agencies	1.53
ALLY BANK 57803 CD	1.450	10/30/2017	US Agencies	1.53
CAP ONE BK 33954 CD	1.400	10/10/2017	US Agencies	1.51

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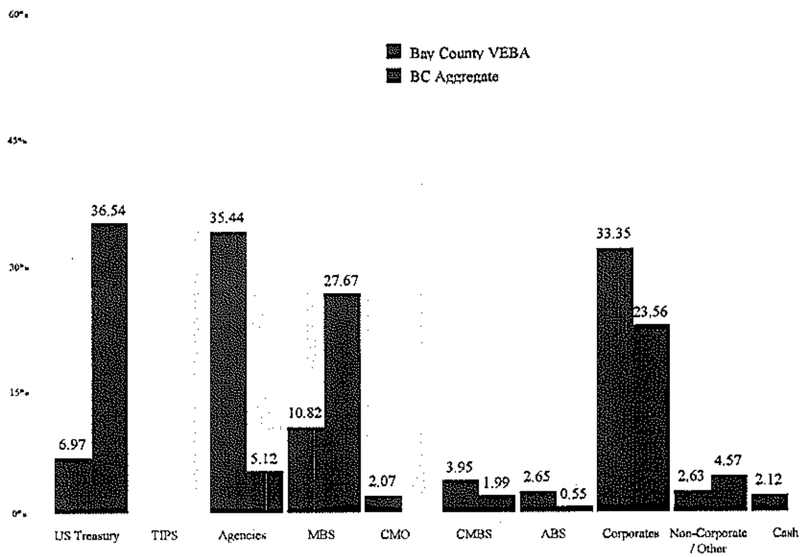
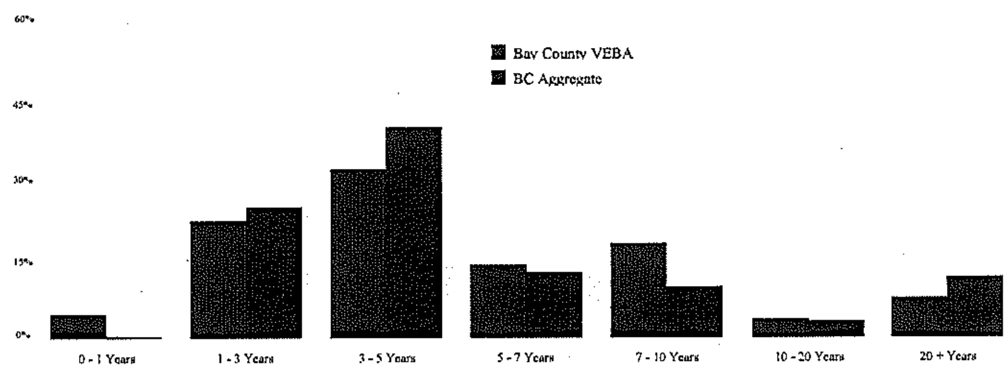
Sector Allocation



Term Structure



CS McKee

INVESTMENT MANAGERS

Aggregate Fixed Income

Performance Attribution – at March 31, 2015

	First Quarter	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
CS McKee Aggregate	1.72	5.76	-1.73	5.09	8.62	7.05	8.73	7.17	7.61	5.07	3.56	4.74	4.42	10.32	8.92	11.58	-0.53
Barclays Aggregate Index	1.61	5.97	-2.02	4.22	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.25	8.44	11.63	-0.82
Value-Added Return	0.11	-0.21	0.29	0.87	0.78	0.51	2.80	1.93	0.64	0.74	1.13	0.40	0.32	0.07	0.48	-0.05	0.29
Relative Performance Breakdown																	
Duration Decision	-0.090	-0.655	0.310	-0.355	-1.065	-0.080	-0.340	0.060	-0.240	0.160	0.015	-0.120	0.020	-0.440	0.030	-0.06	-0.07
Yield Curve Decision	-0.020	0.055	-0.070	-0.020	0.155	0.090	0.090	-0.260	-0.110	0.010	0.165	0.080	0.130	-0.280	-0.060	0.03	-0.01
Sector Allocation Decision	0.125	-0.010	0.050	0.840	0.110	-0.170	1.220	1.800	0.520	-0.040	0.250	-0.350	-0.280	0.290	0.450	-0.340	0.330
US Agency Debt	0.020	0.125	-0.040	0.230	0.060	0.240	0.390	-0.220	-0.280	0.405	0.100	0.270	0.050	0.020	-0.060	-0.04	0.03
US Agency MBS/CMO	0.075	-0.100	-0.225	-0.155	0.170	-0.650	-1.660	1.015	0.530	-0.350	0.095	-0.475	-0.040	0.200	0.370	-0.05	0.10
Corporate Bonds	0.015	-0.050	0.330	0.645	-0.190	0.100	1.930	0.370	0.000	-0.050	0.065	-0.070	-0.180	0.090	0.150	-0.25	0.20
Other Government Bonds	0.005	-0.025	-0.030	-0.230	0.085												
ABS	0.005	0.000	-0.005	0.015	0.000	0.000	-0.080	0.135	0.060	-0.010	0.000	-0.015	-0.020	0.000	0.000	0.00	0.00
CMBS	0.005	0.040	0.020	0.335	-0.015	0.140	0.640	0.500	0.210	-0.035	-0.010	-0.060	-0.090	-0.020	-0.010	0.00	0.00
Security Selection Decision	0.095	0.400	0.000	0.405	1.580	0.670	1.830	0.330	0.470	0.610	0.700	0.790	0.450	0.500	0.060	0.320	0.040
US Treasury (US TIPS)	0.035	0.005	-0.115	0.290	0.355	-0.490	3.150	-1.490	0.070	0.020	0.100	0.000	0.130	0.230	0.090	-0.080	0.000
US Agency Debt	0.035	0.215	0.285	0.805	0.335	0.740	-0.420	0.170	-0.070	0.590	0.510	0.730	0.270	0.270	-0.070	0.060	0.020
US Agency MBS/CMO	-0.020	0.000	-0.030	0.045	0.095	0.090	0.030	-0.290	-0.010	-0.005	0.000	-0.060	-0.080	-0.060	0.010	-0.020	0.030
Corporate Bonds	0.090	0.180	-0.035	-0.445	0.840	0.570	-0.460	1.250	0.480	0.005	0.090	0.120	0.230	0.360	0.030	0.360	-0.010
Other Government Bonds	-0.025	0.020	-0.075	0.005	0.000												
ABS	-0.010	-0.005	0.010	-0.005	-0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.100	-0.300	0.000	0.000	0.000
CMBS	-0.010	-0.015	-0.040	-0.290	-0.030	-0.240	-0.470	0.690	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

The above information is shown as supplemental information and complements the composite disclosure presentation. Please see full disclosure information at the end of this presentation.

Past security contributions to performance are not indicative of future results and client results may vary significantly.

For additional information, please contact C. S. McKee at 412-566-1234.

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Fourth Quarter GDP grew by 2.2% led by consumption and residential investment. According to Bloomberg's survey of economists, 1Q GDP is expected to decelerate to well under 2.0%.

Nonfarm Payrolls posted an average 3-month gain of 197K additions and the unemployment rate remains at 5.5%. The Fed, however, wants to see continued improvement in the labor market, especially wages, before increasing the Fed Funds Rate.

Oil prices rebounded as energy companies slashed the number of drilling rigs in production. The supply glut continued to expand, however, and the threat of additional supply from Iran also weighed on prices.

Greece agreed to an extension of its credit bailout, but needs to initiate solid reforms to ensure funding is released from the IMF and ECB bailout packages.

Ukraine reached a tenuous truce over the year-long rebellion in the eastern part of the country.

What Will it Take to Lift Rates?

At 5.5%, the headline U3 unemployment rate is the lowest in nearly seven years. Hiring has averaged approximately 261,000 additions per month over the past 4 quarters. So why is the Federal Funds rate still pinned close to zero percent? Looking only at the headline unemployment rate and the absolute value of current policy rates suggests that rates should be higher, but digging into other measures of the labor market reveals that significant resources are still unutilized or underutilized.

Chart 1. Comparing Labor Markets at 5.5% Unemployment

	Fed Funds	Core PCE Inflation	Avg. Hourly Earnings Incr., y/y	U3 Unemployment	U6 Unemployment	% of Unemployed >27 weeks	Labor Force Participation	Employment to Population
March 2015	0.25%	1.37%	1.80%	5.5%	10.90%	29.80%	62.70%	59.30%
September 2008	2.00%	2.11%	3.60%	5.5%	11.00%	21.30%	66.00%	61.90%
July 2004	1.25%	1.96%	1.90%	5.6%	9.50%	20.70%	66.10%	62.50%
November 2001	2.00%	1.77%	3.40%	5.5%	9.40%	13.90%	66.70%	63.00%
July 1996	5.25%	1.88%	3.30%	5.5%	9.70%	18.30%	66.90%	63.30%
July 1990	8.00%	3.99%	4.10%	5.5%	–	9.80%	66.50%	62.80%
May 1988	7.25%	4.11%	3.30%	5.6%	–	12.50%	65.70%	62.00%

The above table (Chart 1) compares the history of other labor market indicators over the past 30 years when the U3 unemployment rate hit 5.5%. Perhaps the most stunning current outlier in the table is the percent of workers unemployed greater than 27 weeks. At no time since the 1948 beginning of this dataset (Chart 2) have more people been unemployed for such a long period of time. After peaking in April 2010 at 45.5%, the percent of long-term unemployed has declined steadily to the current 29.8% - still well above previous periods when the unemployment rate was at 5.5%. Increasing interest rates when so much of the workforce has been unemployed for such a long time may be counterproductive if the goal is to entice companies to expand payrolls.

(continued on page 2)

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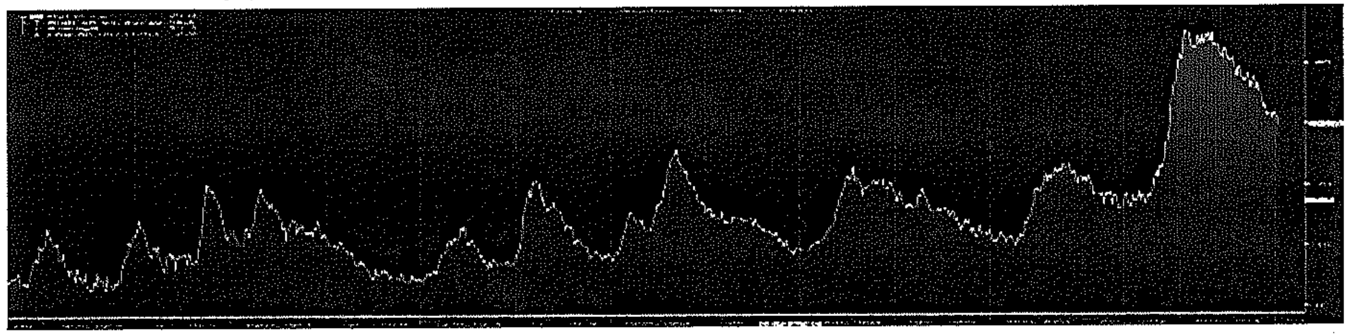
The Federal Reserve modified their official policy statement, removing forward guidance and stating their dependence on forthcoming data. Chair Yellen also added concerns over the impact of a strengthening dollar on US exporters.

The ECB launched Quantitative Easing for the Eurozone in March, purchasing bonds issued by Eurozone governments and institutions. The program is expected to buy €60bn a month through September 2016.

The Citi Economic Surprise Index declined to its lowest point since 2011 as weaker than expected housing data and retail sales were reported.

Chart 2. Percent of Unemployed for more than 27 weeks 1948-2015



Other measures of labor market health seem to support keeping the funds rate low relative to historical precedence. Declining labor force participation and employment-to-population rates suggest that workers are deciding not to pursue employment. Average hourly earnings remain subdued compared to previous recoveries, which indicates that wage pressures remain weak and employers still have the upper hand in compensation negotiations. The U6 measure of unemployment, which accounts for workers employed part-time for economic reasons and the marginally attached, also remains elevated in comparison to historical standards.

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Credit spreads tightened by 2 bps on average to yield 129 bps more than Treasuries. Within the corporate sector, energy companies were the best performing with returns exceeding Treasuries by 85 bps year-to-date.

TIPS breakevens widened for the quarter as rebounding energy prices increased inflation expectations. We remain wary of potential upside returns as low inflation and a looming Fed Funds Rate hike will limit gains.

Mortgages underperformed duration matched Treasuries by 50bps for the quarter. Our underweight to the sector will remain in place in anticipation of further weakness throughout the year.

10yr Treasury bonds retested the low yields of 2013 of 1.63% in January, but quickly retraced the move back over 2.0% as investors switched to risk-on in February.

The yield curve remained range bound, driven by changing expectations regarding the timing of the first rate hike. We expect the flattening trend to resume as the Fed approaches their first policy tightening since 2006.

"Twist II" is in place as $17-$20 billion a month is invested long, funded by coupons and paydowns.

Portfolio Highlights

- The first quarter provided us a long awaited jump in volatility, as the proximity of the Fed's first rate increase in nine years drew closer and global macro events shook the markets. The early days of the quarter saw a continued slide in energy prices, the advent of European Central Bank quantitative easing, and renewed political and economic turmoil in Russia and Greece.

- Intermediate and long-term U.S. Treasury bond yields, the most attractive among the developed markets, fell approximately 50 basis points in January. The outsized market move resulted in significant underperformance in callable securities, giving us the opportunity to both increase our allocation to the sector and extend the average maturity of our holdings. Similar moves were made in credit, as the temporary risk-off mode gave us the chance to increase our contribution to duration in this sector.

- The aforementioned "risk-off" mode quickly reversed in February, leading to higher yields and outperformance in all spread sectors. We reversed our duration lengthening trades from early January, in keeping with a more disciplined approach to managing interest rate risk. March was quiet by comparison, with interest rates drifting modestly lower.

- We expect market behavior in the second quarter to closely resemble that of the first quarter, characterized by somewhat violent moves in rates and yield spreads within a historically tight range. Liquidity remains a concern for all market participants, though our long standing focus on that factor should stand us in good stead as Fed policy becomes more data dependent and less a function of the calendar.

- Portfolio duration is expected to range between 90% and 100% of benchmark levels with principal protection concerns in a volatile, low rate environment outweighing the bullish trend in bond prices. Long standing overweights in credit and agency debentures will continue as these sectors are at least fairly valued versus Treasuries and continue to offer us the opportunity to add value through active security management.

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Investment Summary - at 3/31/2015

90477

Asset Class	*Total Cost*	*Weight at Cost*	*Market Value*	*Accrued Income*	*Total Value*	*Weight at Market*
Fixed Income	$15,699,453.83	97.88%	$15,861,143.00	$96,991.18	**$15,958,134.18**	**97.92%**
Cash	$339,617.49	2.12%	$339,617.49	$0.00	**$339,617.49**	**2.08%**
Total Portfolio	$16,039,071.32	100.00%	$16,200,760.49	$96,991.18	**$16,297,751.67**	**100.00%**

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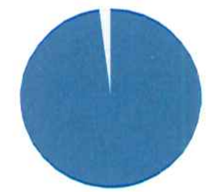
C.S. McKee, L.P.
Account Overview

Bay County VEBA

Client Code: 90477
As Of Date: 3/31/2015
Report: Calendar

Asset Allocation
As of 3/31/2015

Large-Cap Equity	$	-	0.00%
Smid-Cap Equity	$	-	0.00%
Small-Cap Equity	$	-	0.00%
Fixed Income	$	15,958,126.38	97.92%
Intl Mutual Fund	$	-	0.00%
Cash	$	339,617.49	2.08%
Other	$	-	0.00%
Total Portfolio:	$	**16,297,743.87**	**100.00%**



Performance
As of 3/31/2015

Portfolio Summary - Month-to-Date	Total Portfolio	Large-Cap Equity	Smid-Cap Equity	Small-Cap Equity	Total Domestic Equity	Fixed Income	Intl Mutual Fund
Beginning Market Value:	15,514,234.66	-	-	-	-	15,514,234.66	-
Net Contributions (Distributions):	704,530.00	-	-	-	-	704,530.00	-
Income:	37,485.24	-	-	-	-	37,485.24	-
Market Appreciation (Depreciation):	41,493.97	-	-	-	-	41,493.97	-
Ending Market Value:	16,297,743.87	-	-	-	-	16,297,743.87	-
Dollar-Weighted Return:	**0.51%**	-	-	-	-	**0.51%**	-

Time-Weighted Returns		Total Portfolio	Large-Cap Equity		Smid-Cap Equity		Small-Cap Equity		Total Domestic Equity		Fixed Income		Intl Mutual Fund
	Performance Start Date:	*2/7/2012*	*N/A*		*N/A*		*N/A*		*N/A*		*2/7/2012*		*N/A*
				Ex Cash		*Ex Cash*		*Ex Cash*		*Ex Cash*		*Ex Cash*	
MTD	Gross	0.47%	-	-	-	-	-	-	-	-	0.47%	0.47%	-
	Net	0.45%	-	-	-	-	-	-	-	-	0.45%	0.44%	-
	Benchmark	0.46%	-	-	-	-	-	-	-	-	0.46%	0.46%	-
	Value Added (Gross)	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	-
QTD	Gross	1.83%	-	-	-	-	-	-	-	-	1.83%	1.82%	-
	Net	1.75%	-	-	-	-	-	-	-	-	1.75%	1.75%	-
	Benchmark	1.61%	-	-	-	-	-	-	-	-	1.61%	1.61%	-
	Value Added (Gross)	0.22%	-	-	-	-	-	-	-	-	0.22%	0.21%	-
YTD	Gross	1.83%	-	-	-	-	-	-	-	-	1.83%	1.82%	-
	Net	1.75%	-	-	-	-	-	-	-	-	1.75%	1.75%	-
	Benchmark	1.61%	-	-	-	-	-	-	-	-	1.61%	1.61%	-
	Value Added (Gross)	0.22%	-	-	-	-	-	-	-	-	0.22%	0.21%	-
1 Year	Gross	5.76%	-	-	-	-	-	-	-	-	5.76%	5.90%	-
	Net	5.44%	-	-	-	-	-	-	-	-	5.44%	5.58%	-
	Benchmark	5.72%	-	-	-	-	-	-	-	-	5.72%	5.72%	-
	Value Added (Gross)	0.04%	-	-	-	-	-	-	-	-	0.04%	0.18%	-
3 Year	Gross	3.40%	-	-	-	-	-	-	-	-	3.40%	3.53%	-
	Net	3.09%	-	-	-	-	-	-	-	-	3.09%	3.22%	-
	Benchmark	3.11%	-	-	-	-	-	-	-	-	3.11%	3.11%	-
	Value Added (Gross)	0.29%	-	-	-	-	-	-	-	-	0.29%	0.42%	-
5 Year	Gross	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-
	Net	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-
	Benchmark	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-
	Value Added (Gross)	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-
ITD	Gross	3.17%	-	-	-	-	-	-	-	-	3.17%	3.29%	-
	Net	2.88%	-	-	-	-	-	-	-	-	2.88%	2.99%	-
	Benchmark	2.83%	-	-	-	-	-	-	-	-	2.83%	2.83%	-
	Value Added (Gross)	0.34%	-	-	-	-	-	-	-	-	0.34%	0.46%	-

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Benchmark History	Total Portfolio	Large-Cap Equity	Smid-Cap Equity	Small-Cap Equity	Total Domestic Equity	Fixed Income	Intl Mutual Fund
2/7/2012 BCAGG 100%						**2/7/2012** BCAGG 100%	

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CAPITAL INSTITUTIONAL SERVICES, INC.

1601 Elm Street, Suite 3900
Dallas, Texas 75201

214.720.0055
800.247.6729

Founded 1977
Member NYSE, FINRA, NFA, SIPC

Bay County Employees' VEBA

CAPIS Account: 10250

Settlement Month Ending: 3/31/2015

	TOTAL COMMISSION		COMMISSION ALLOCATION			
			Execution		Recapture	
	March	YTD	March	YTD	March	YTD
Beginning Balance					$581.69	$402.00
U.S. Equity	1,178.28	2,692.20	294.57	673.30	883.71	2,018.90
International Equity	-	-	-	-	-	-
Fixed Income	-	-	-	-	-	-
International Fixed Income	-	-	-	-	-	-
New Issues	-	-	-	-	-	-
Options	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Foreign Currency	-	-	-	-	-	-
Syndicates	-	-	-	-	-	-
Recapture Subtotals	$ 1,178.28	$ 2,692.20	$ 294.57	$ 673.30	$ 883.71	$ 2,018.90
Execution	$ 0.00	$ 0.00				
Directed	$ 0.00	$ 0.00				
Correspondent Broker/Dealer	$ 0.00	$ 0.00				
Total	$ 1,178.28	$ 2,692.20				

Total Earned	$ 883.71	$ 2,018.90
Total Redeemed	$ 581.69	$ 1,537.19
Balance as of 3/31/2015	$ 883.71	$ 883.71

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Account Executive: Jon Lantz
Phone: (214) 978-4778

Sales Assistant: Christilla Moreno
Phone: (214) 978-4743

05/06/2015 10:44
RMarsters

BAY COUNTY, MI
YEAR-TO-DATE BUDGET REPORT

FOR 2015 04

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
7360 PUBLIC EMPLOYEE HEALTH CARE							
73627401 VOL.EMPLOYEE BENEF.ASSOC.BOARD							
RA FUND BALANCE, NET AS							
73627401 40001 FUND BALANCE	0	0	.00	.00	.00	.00	.0%
73627401 40004 NET ASSETS - RESERV	1,343,339	1,343,339	.00	.00	.00	1,343,339.00	.0%
TOTAL FUND BALANCE, NET AS	1,343,339	1,343,339	.00	.00	.00	1,343,339.00	.0%
RJ LOCAL UNIT CONTRIBUT							
73627401 59401 ER CONTR-BEHAVE.HEA	0	0	.00	.00	.00	.00	.0%
73627401 59402 ER CONTR-MOSQUITO C	0	0	.00	.00	.00	.00	.0%
73627401 59403 ER CONTR-HEALTH FUN	0	0	.00	.00	.00	.00	.0%
73627401 59404 ER CONTR-ROAD COMMI	0	0	.00	.00	.00	.00	.0%
73627401 59406 ER CONTR-LIBRARY	0	0	-12,000.00	-12,000.00	.00	12,000.00	100.0%
73627401 59407 ER CONTR-GOLF COURS	0	0	.00	.00	.00	.00	.0%
73627401 59408 ER CONTR-GENERAL FU	0	0	.00	.00	.00	.00	.0%
73627401 59409 ER CONTR-DWS	-38,200	-38,200	-8,271.80	-8,271.80	.00	-29,928.20	21.7%*
73627401 59410 ER CONTR-911 SERVIC	0	0	.00	.00	.00	.00	.0%
73627401 59411 ER CONTR-CHILD CARE	0	0	.00	.00	.00	.00	.0%
73627401 59412 ER CONTR-DIV ON AGI	0	0	.00	.00	.00	.00	.0%
73627401 59413 ER CONTR-RETIRE SYS	0	0	.00	.00	.00	.00	.0%
73627401 59415 ER CONTR-GYPSY MOTH	0	0	.00	.00	.00	.00	.0%
73627401 59416 ER CONTR-HOME REHAB	0	0	.00	.00	.00	.00	.0%
73627401 59418 ER CONTR-100% TAX P	0	0	.00	.00	.00	.00	.0%
73627401 59419 ER CONTR-MED CARE F	-310,000	-310,000	-25,525.62	-29,245.71	.00	-284,474.38	8.2%*
73627401 59424 ER CONTR-SELF INSUR	0	0	.00	.00	.00	.00	.0%
73627401 59427 ER CONTR-COMM.CORRE	0	0	.00	.00	.00	.00	.0%
73627401 59429 ER CONTR-F.O.C. FUN	0	0	.00	.00	.00	.00	.0%
73627401 59430 ER CONTR-HOUSING FU	0	0	.00	.00	.00	.00	.0%
73627401 59433 ER CONTR-SOLDIER RE	0	0	.00	.00	.00	.00	.0%
73627401 59499 ER CONTR-SHERIFF DE	0	0	.00	.00	.00	.00	.0%
TOTAL LOCAL UNIT CONTRIBUT	-348,200	-348,200	-45,797.42	-49,517.51	.00	-302,402.58	13.2%
RP INTEREST & RENTALS							
73627401 66400 INVESTMENT INTEREST	-500,000	-500,000	-74,100.60	-74,100.60	.00	-425,899.40	14.8%*

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FOR 2015 04

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73627401 66500 GAIN ON SALE OF INV	-1,100,000	-1,100,000	-549,695.02	-549,695.02	.00	-550,304.98	50.0%
73627401 66501 UNREALIZED GAIN ON	0	0	.00	.00	.00	.00	.0%
TOTAL INTEREST & RENTALS	-1,600,000	-1,600,000	-623,795.62	-623,795.62	.00	-976,204.38	39.0%
RR OTHER REVENUE							
73627401 67104 MISCELLANOUS REVENU	0	0	.00	.00	.00	.00	.0%
73627401 69000 COMMISSION RECAPTUR	0	0	-1,537.19	-1,537.19	.00	1,537.19	100.0%
TOTAL OTHER REVENUE	0	0	-1,537.19	-1,537.19	.00	1,537.19	100.0%
XE WAGES & SALARIES							
73627401 71000 PER DIEM	360	360	.00	.00	.00	360.00	.0%
TOTAL WAGES & SALARIES	360	360	.00	.00	.00	360.00	.0%
XI SUPPLIES							
73627401 72700 OFFICE SUPPLIES	100	100	.00	.00	.00	100.00	.0%
73627401 72800 PRINTING AND BINDIN	150	150	.00	.00	.00	150.00	.0%
73627401 72900 POSTAGE	100	100	2.40	.00	.00	97.60	2.4%
73627401 75100 COMPUTER SUPPLIES	50	50	.00	.00	.00	50.00	.0%
TOTAL SUPPLIES	400	400	2.40	.00	.00	397.60	.6%
XL OTHER SERVICES AND C							
73627401 80100 PROFESSIONAL SERVIC	100,000	100,000	17,819.00	17,819.00	.00	82,181.00	17.8%
73627401 80101 ACTUARIAL SERVICES	37,000	37,000	39,300.00	.00	.00	-2,300.00	106.2%*
73627401 81400 INVESTMENT/BANK SER	30,000	30,000	9,778.52	9,778.52	.00	20,221.48	32.6%
73627401 81700 LEGAL FEES	7,500	7,500	.00	.00	.00	7,500.00	.0%
73627401 81900 CONSULTANTS	30,000	30,000	7,250.00	3,625.00	.00	22,750.00	24.2%
73627401 86600 LOCAL TRAVEL MILEAG	0	0	.00	.00	.00	.00	.0%
73627401 94601 EQUIPMENT RENTAL-CO	55	55	.00	.00	.00	55.00	.0%

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FOR 2015 04

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73627401 95600 INDIRECT COST EXPEN	6,046	6,046	1,465.69	458.03	.00	4,580.31	24.2%
73627401 96200 LOSS ON DISPOSAL OF	391,000	391,000	59,137.07	59,137.07	.00	331,862.93	15.1%
73627401 96201 UNREALIZED LOSS ON	0	0	.00	.00	.00	.00	.0%
73627401 96500 INSURANCE AND BONDS	2,500	2,500	.00	.00	.00	2,500.00	.0%
TOTAL OTHER SERVICES AND C	604,101	604,101	134,750.28	90,817.62	.00	469,350.72	22.3%
TOTAL VOL.EMPLOYEE BENEF.ASSOC.BO	0	0	-536,377.55	-584,032.70	.00	536,377.55	100.0%
TOTAL PUBLIC EMPLOYEE HEALTH CARE	0	0	-536,377.55	-584,032.70	.00	536,377.55	100.0%
TOTAL REVENUES	-604,861	-604,861	-671,130.23	-674,850.32	.00	66,269.23	
TOTAL EXPENSES	604,861	604,861	134,752.68	90,817.62	.00	470,108.32	
GRAND TOTAL	0	0	-536,377.55	-584,032.70	.00	536,377.55	100.0%

** END OF REPORT - Generated by Rebecca Marsters **

Ne

REPORT OPTIONS

	Field #	Total	Page Break
Sequence 1	1	Y	N
Sequence 2	9	Y	N
Sequence 3	10	Y	N
Sequence 4	0	N	N

Report title:
YEAR-TO-DATE BUDGET REPORT

Print Full or Short description: F
Print MTD Version: Y
Print Revenues-Version headings: N
Format type: 1
Print revenue budgets as zero: N
Include Fund Balance: N
Include requisition amount: N
Multiyear view: D

Year/Period: 2015/ 4
Print revenue as credit: Y
Print totals only: N
Suppress zero bal accts: N
Print full GL account: N
Double space: N
Roll projects to object: N

Carry forward code: 1
Print journal detail: N
From Yr/Per: 2014/ 7
To Yr/Per: 2014/ 7
Include budget entries: Y
Incl encumb/liq entries: Y
Sort by JE # or PO #: J
Detail format option: 1

Find Criteria

Field Name	Field Value
Fund	7360
FUNCTION	
ACTIVITY	
SPECIAL CODE	
SPECIAL COD2	
Character Code	
Org	
Object	
Project	
Account type	
Account status	
Rollup Code	

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VEBA **Invoices Approved:** **April**

Invoice Date	Vendor	Amount	Description
4/1/2015	The Bogdahn Group	$ 3,625.00	Q2 Performance Evaluation
3/31/2015	Atalanta Sosnoff	$ 17,819.00	Q1 Money Manger fees